

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 474 - HB 771

March 24, 2019

**SUMMARY OF ORIGINAL BILL:** Enacts the Annual Coverage Assessment Act of 2019, which establishes an annual coverage assessment on hospitals of 4.52 percent of a covered hospital's annual coverage assessment base.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$446,771,000/FY19-20/  
Maintenance Coverage Trust Fund

Increase State Expenditures - \$446,771,000/FY19-20/  
Maintenance Coverage Trust Fund

Increase Federal Expenditures - \$843,542,400/FY19-20/  
Maintenance Coverage Trust Fund

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue - \$1,290,313,400/FY19-20

Increase Business Expenditures - \$446,771,000/FY19-20

Jobs Impact – Not Significant

**SUMMARY OF AMENDMENT (006210):** Deletes all language after the enacting clause. Enacts the *Annual Coverage Assessment Act of 2019*, which establishes an annual coverage assessment on hospitals of 4.87 percent of a covered hospital's annual coverage assessment base.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue - \$602,315,500/FY19-20/**

**Maintenance of Coverage Trust Fund**

**Increase State Expenditures - \$602,315,500/FY19-20/**

**Maintenance of Coverage Trust Fund**

**Increase Federal Expenditures - \$1,137,223,900/FY19-20/**

**Maintenance of Coverage Trust Fund**

**Revenue recognition in the amount of \$446,771,000 is included in the Governor's proposed FY19-20 budget (page A-36). Corresponding non-recurring appropriations in the amount of \$1,290,202,300 (\$446,771,000 in state funds and \$843,431,300 in federal matching funds) are also included.**

Assumptions for the bill as amended:

- Based on information provided by the Division of TennCare (Division), the 4.87 percent annual coverage assessment on hospital net revenues (as reported to Centers for Medicaid Services) will result in an increase in revenue to the Maintenance of Coverage Trust Fund (MCTF) of \$602,315,525.
- It is estimated \$602,315,525 will be expended at a state rate of approximately 34.625 percent and will receive federal matching funds at a rate estimated to be 65.375 percent. The resulting increase in federal funds will be approximately \$1,137,223,897  $[(\$602,315,525 / 34.625\%) \times 65.375\%]$ .
- The total increase to the MCTF is approximately \$1,739,539,422 (\$602,315,525 state + \$1,137,223,897 federal).

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Increase Business Revenue - \$1,739,539,400**

**Increase Business Expenditures - \$602,315,500**

**Jobs Impact – Not Significant**

Assumptions for the bill as amended:

- Hospital providers will incur an increase in federal revenue in FY19-20 to cover costs of services provided.

- Hospital providers will incur an increase in expenditures in FY19-20 for funding the state portion of the Act.
- The proposed legislation will not increase the number of hospital providers. It merely deals with the way providers are reimbursed; therefore, any impact to jobs in Tennessee is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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